

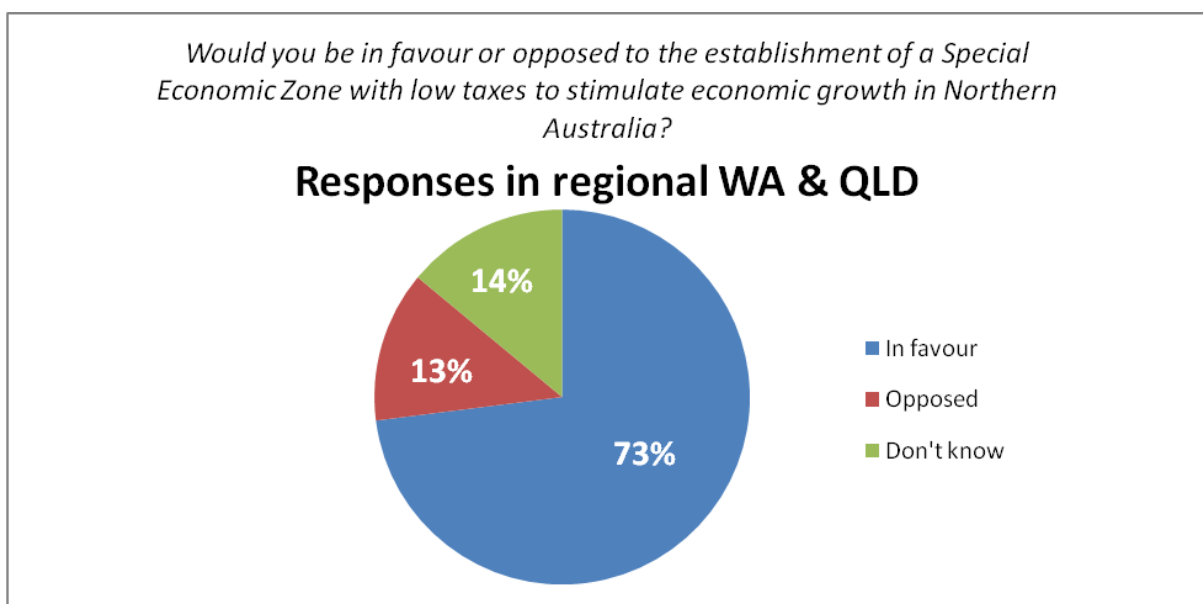
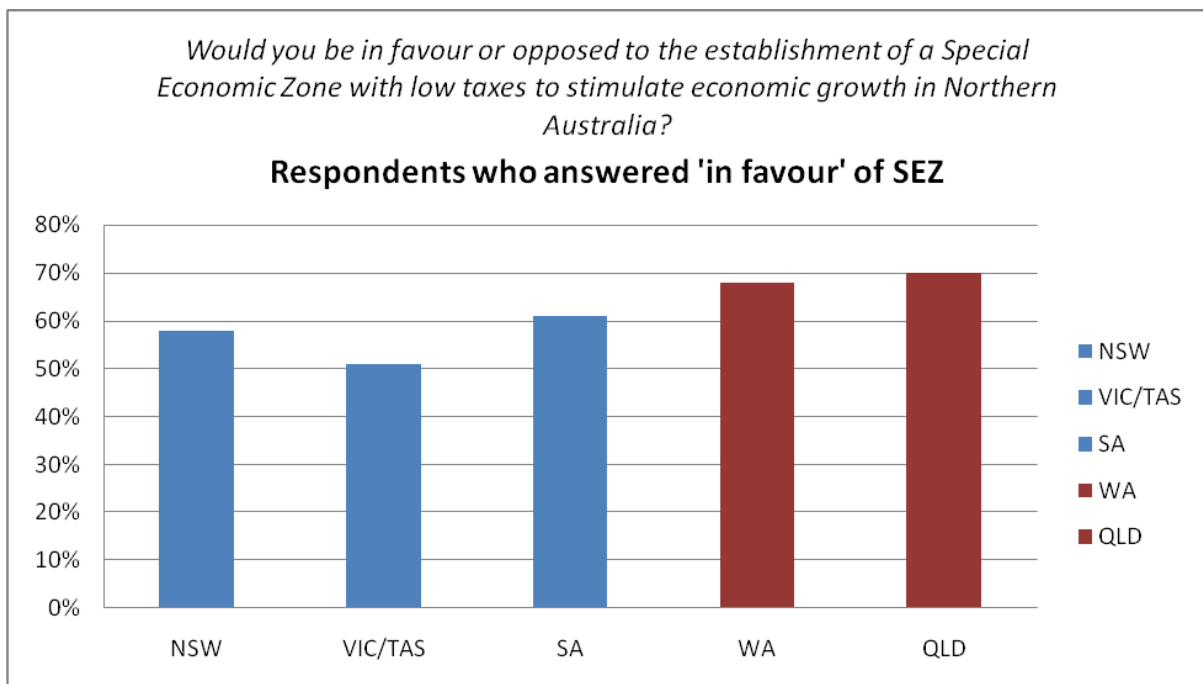
IPABRIEFING DOCUMENT

Institute of Public Affairs | Australia's leading free market think tank

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AUSTRALIANS WANT A NEW VISION FOR NORTHERN AUSTRALIA

A Galaxy poll conducted exclusively for the Institute of Public Affairs (IPA) found that the majority of Australians are in favour of establishing a Special Economic Zone (SEZ) with low taxes to stimulate economic growth in Northern Australia.



Of the 1,063 people surveyed, 60% were in favour of a Special Economic Zone in Northern Australia while only 20% were opposed to the idea. The percentage of people in favour of a low tax zone was much higher in Queensland (70% of respondents in favour) and in Western Australia (68% of respondents in favour) compared to the rest of the nation. Of regional Queenslanders and Western Australians, those people most likely to live in North Australia, 73% said they would support the establishment of a SEZ.

Low taxes and other economic freedoms have been proven to increase investment and drive economic growth. Australia needs a policy framework that provides incentives for investment in order to address skills shortages and rectify the lack of infrastructure in the North.

For many years Australia has enjoyed an advantage in Asia's resource market, however, that geographic advantage is no longer assured. The development of Very Large Ore Carriers (VLOCs) has enabled high grade iron ore from Africa and South America to be shipped to Asia at much lower prices than was previously possible. Until now, Australia has been a substantially cheaper source of commodities because of our geographical proximity to Asia.

Leading international journal, *The Economist*, has warned of Australia's loss of competitive advantage in their 'Special Report: Australia'. Three years ago, Australia had a US\$40 per tonne cost advantage over Brazil, now it is only US\$12 per tonne.¹

Indeed, an Ernst & Young report released in March 2011, stated China has 'shifted its strategic direction' towards Brazil, Ecuador and other parts of Africa, and away from Australia, for its iron ore requirements.²

Vale, Brazil's second largest iron ore producer, plans to invest \$2.5 billion to build a major distribution hub in Malaysia for their fleet of VLOCs.

As a result of the reduction in freight costs, Africa and South America are becoming attractive investment destinations for multinational mining companies. This is of particular relevance to Australia's continued economic growth, as China is looking to these high grade ore regions to bolster its supply.

Last week the ABS released data that indicated unadjusted mineral exploration expenditure fell in March 2011.³ Chief Executive of the Association of Mining and Exploration, Simon Bennison has said that this decline is part of a larger, alarming trend throughout the mining sector as a result of the MRRT and carbon tax. The Association of Mining and Exploration has suggested that this data indicates that Australia's mining exploration investment is moving offshore.⁴

Australia's competitive advantage is at risk and any slowing in economic growth in China would have a negative impact on the current prices being paid for commodities.

¹ John Grimond, 2011, 'A Special Report: Australia 'No Worries?''', *The Economist*, May 28.

² Ernst & Young, 2006 'Ung geared for growth', *Mergers, acquisitions and capital raising in mining and metals*

³ Australian Bureau of Statistics, 2011, Mineral and petroleum exploration, Cat. 8412.0, March.

⁴ Kate Emery, 2011, 'Taxes undermine exploration expenditure', *West Australian*, June 9.

A recent report from Standard and Poor's global rating service has warned that current conditions in the commodity markets may represent an unsustainable bubble which is open to a sudden correction. According to the report, commodities such as iron ore, coking coal, aluminium and copper could fall by as much as 30 – 40% in a price correction.⁵

Policy makers in Canberra should be looking for new ideas to deal with these ongoing issues. A Northern SEZ would reduce the regulatory and tax burden on businesses and families across the North and stimulate development for the benefit of all Australians.

A SPECIAL ECONOMIC ZONE FOR NORTHERN AUSTRALIA

Northern Australia is currently a key driver for Australia's economy. Yet government regulation and a lack of vision constrains the North from further economic growth.

The North is currently underpopulated and under-developed yet contains a wealth of natural resources. Australian policy makers should be taking advantage of this huge potential by implementing policies that encourage investment, increase infrastructure and create opportunities to deal with the skills shortage crisis.

SEZs have been used around the world to stimulate development and economic activity in underdeveloped areas. Today there are around 3000 SEZs operating around the world.⁶ Recently, British Prime Minister David Cameron announced plans to establish 21 new economic zones across the United Kingdom.

SEZs are designated areas where tax and regulation are significantly relaxed or reduced. The focus of such a zone in Northern Australia would be to promote investment, create jobs, encourage skilled migration and transform depressed and under-developed regions into areas of considerable economic activity.

A zone that covers North Queensland, North Western Australia and the Northern Territory would invigorate these underpopulated, under-developed, but resource rich regions.

Such thinking is not new, nor is it foreign to Australia. Since 1945 Australians living above the 26th parallel have received income tax breaks in recognition of their comparatively difficult living environment.⁷ Living costs are high, local services are poor and community infrastructure is minimal. A Northern SEZ would be a logical extension of this policy assistance for Northern Australians.

The IPA's North Australia Project aims to encourage economic development in Northern Australia. Public discussion regarding the problems facing Northern Australia should focus on the

⁵ Spritzen et al., 2011, *The potential risk of China's large and growing presence in commodity markets*, Standard & Poor's.

⁶ The World Bank, 2008, 'Special Economic Zones', *Performance, lessons learned, and implications for zone development*

⁷ *Income Tax Assessment Act 1936 (Cwlth)*

implementation of a Northern SEZ. The IPA is currently undertaking seminars throughout Northern Australia to build the case for, and gather input into the establishment of a Northern SEZ.

The IPA is working with Australian's for Northern Development and Economic Vision (ANDEV) to develop policies for a more competitive Northern Australia.

The Galaxy poll was conducted over the weekend of 13-15 May 2011. A media release is available from the IPA at www.ipa.org.au or at <http://anewnorth.ipa.org.au>. More information is also available at www.andev-project.org.

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GALAXY RESEARCH
TABLE 1 Standard Banner 1 *BY* B1 In favour/ opposed to Special Economic Zone
BASE: WGHT SAMPLE (000s)
WEIGHTS: Age/Sex/Area

	Total	Sex		Age				Marital Status		Grocery Buyer		Children		Work Status			S.E.S.	
		Male	Female	18-24	25-34	35-49	50+	Marr-ied	Not Marr-ied	Yes /Shared	No	Yes	No	Full Time	Part Time	Not Working	White	Blue
RESPONDENTS	1063	527	536	121	116	379	447	671	392	737	326	401	662	471	218	374	611	452
WGHT SAMPLE (000s)	16970	8265	8705	2085	2885	5004	6996	10573	6397	11651	5319	6396	10574	7398	3429	6143	9690	7280
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
B1 In favour/ opposed to Special Economic Zone																		
TOTAL IN FAVOUR																		
Strongly in favour	2521 15%	1307 16%	1214 14%	267 13%	350 12%	809 16%	1095 16%	1592 15%	930 15%	1723 15%	799 15%	1148 18%	1374 13%	1120 15%	415 12%	987 16%	1413 15%	1108 15%
Just in favour	7577 45%	3589 43%	3989 46%	1203 58%	1568 54%	2207 44%	2599 37%	4553 43%	3025 47%	5064 43%	2513 47%	2940 46%	4637 44%	3336 45%	1706 50%	2535 41%	4390 45%	3187 44%
**SUBTOTALS	10099 60%	4896 59%	5203 60%	1470 71%	1919 67%	3016 60%	3693 53%	6144 58%	3954 62%	6786 58%	3312 62%	4088 64%	6010 57%	4456 60%	2121 62%	3522 57%	5804 60%	4295 59%
TOTAL OPPOSED																		
Just opposed	2611 15%	1467 18%	1144 13%	152 7%	372 13%	799 16%	1288 18%	1642 16%	969 15%	1755 15%	856 16%	872 14%	1739 16%	1141 15%	509 15%	961 16%	1523 16%	1088 15%
Strongly opposed	806 5%	535 6%	272 3%	15 1%	88 3%	304 6%	399 6%	584 6%	222 3%	544 5%	262 5%	356 6%	450 4%	400 5%	63 2%	344 6%	458 5%	348 5%
**SUBTOTALS	3417 20%	2002 24%	1415 16%	167 8%	460 16%	1103 22%	1687 24%	2225 21%	1192 19%	2299 20%	1118 21%	1229 19%	2188 21%	1541 21%	572 17%	1305 21%	1981 20%	1436 20%
Neither/ Don't know	3454 20%	1367 17%	2087 24%	447 21%	506 18%	885 18%	1616 23%	2203 21%	1251 20%	2565 22%	890 17%	1079 17%	2375 22%	1401 19%	737 21%	1316 21%	1906 20%	1549 21%
TOTALS	16970 100%	8265 100%	8705 100%	2085 100%	2885 100%	5004 100%	6996 100%	10573 100%	6397 100%	11651 100%	5319 100%	6396 100%	10574 100%	7398 100%	3429 100%	6143 100%	9690 100%	7280 100%

GALAXY RESEARCH
TABLE 2 Standard Banner 2 *BY* B1 In favour/ opposed to Special Economic Zone
BASE: WGHT SAMPLE (000s)
WEIGHTS: Age/Sex/Area

	Total	State				Capital City		Area			Household Income			Schooling		
		NSW	Vic/Tas	Qld	SA	WA	Yes	No	South -ern States	Bris -bane /Perth	QLD/ WA X-City	< \$40K	\$40K- \$69K	\$70K+	Below Year 12	Year 12
RESPONDENTS	1063	321	301	192	125	124	679	384	747	193	123	289	231	422	324	739
WGHT SAMPLE (000s)	16970	5934	4701	3326	1332	1677	10459	6511	11967	2756	2247	4662	3665	6653	5117	11853
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
B1 In favour/ opposed to Special Economic Zone																
TOTAL IN FAVOUR																
Strongly in favour	2521 15%	975 16%	539 11%	600 18%	175 13%	232 14%	1207 12%	1315 20%	1689 14%	293 11%	540 24%	765 16%	630 17%	937 14%	799 16%	1722 15%
Just in favour	7577 45%	2458 41%	1848 39%	1717 52%	638 48%	915 55%	4770 46%	2807 43%	4945 41%	1532 56%	1100 49%	2080 45%	1664 45%	3023 45%	2246 44%	5331 45%
**SUBTOTALS	10099 60%	3433 58%	2388 51%	2318 70%	813 61%	1147 68%	5977 57%	4121 63%	6633 55%	1825 66%	1640 73%	2845 61%	2294 63%	3961 60%	3045 60%	7053 60%
TOTAL OPPOSED																
Just opposed	2611 15%	963 16%	888 19%	335 10%	181 14%	245 15%	1595 15%	1016 16%	2031 17%	358 13%	222 10%	698 15%	498 14%	1158 17%	756 15%	1855 16%
Strongly opposed	806 5%	295 5%	249 5%	86 3%	52 4%	124 7%	598 6%	208 3%	596 5%	142 5%	68 3%	169 4%	137 4%	403 6%	236 5%	570 5%
**SUBTOTALS	3417 20%	1258 21%	1137 24%	421 13%	233 17%	369 22%	2193 21%	1224 19%	2627 22%	500 18%	289 13%	867 19%	635 17%	1561 23%	993 19%	2425 20%
Neither/ Don't know	3454 20%	1243 21%	1177 25%	587 18%	286 22%	161 10%	2289 22%	1165 18%	2706 23%	430 16%	318 14%	950 20%	736 20%	1131 17%	1079 21%	2376 20%
TOTALS	16970 100%	5934 100%	4701 100%	3326 100%	1332 100%	1677 100%	10459 100%	6511 100%	11967 100%	2756 100%	2247 100%	4662 100%	3665 100%	6653 100%	5117 100%	11853 100%